

JAN 16 2025

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# A BILL FOR AN ACT

RELATING TO THE CONVEYANCE TAX.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that the health,  
2 happiness, and well-being of Hawaii's people depends on the  
3 State's ability to address the high cost of living, particularly  
4 the high cost of housing, that is fueling the homelessness  
5 crisis and forcing local families to move out of the State. The  
6 sustainability of the State's unique and irreplaceable natural  
7 resources is critical to its residents' quality of life. To  
8 address these problems and secure a prosperous future for the  
9 State's children, greater investment into public resources from  
10 a sustainable revenue source is needed to reduce the cost of  
11 housing for residents, preserve the State's natural resources,  
12 and provide solutions for community members experiencing  
13 houselessness.

14           The legislature also finds that the conveyance tax, a  
15 one-time tax at the time of real property sales, is an  
16 appropriate revenue source for affordable housing, land  
17 conservation, and homeless services. Although housing prices in



1 the State have risen dramatically over the past thirteen years,  
2 the State's conveyance tax rates have not been updated since the  
3 enactment of Act 59, Session Laws of Hawaii 2009. Presently,  
4 the State's conveyance tax is significantly lower than the rates  
5 of other high-cost areas in the country.

6 Cities across the country are increasing their conveyance  
7 tax rates to fund affordable housing. San Francisco increased  
8 the tax rate to 5.5 per cent on homes valued at over \$10,000,000  
9 in 2020, and two years ago Los Angeles increased the real  
10 property transfer tax to 4.5 per cent on any residential or  
11 commercial property over \$5,000,000 in value and six per cent on  
12 property sales over \$10,000,000 in value. Smaller cities with  
13 high housing costs are also increasing the taxes on real estate  
14 sales to mitigate the impacts of housing costs. Crested Butte  
15 and Telluride in Colorado, which attract wealthy buyers due to  
16 access to world class ski opportunities, have a tax of three per  
17 cent on home sales regardless of price. Aspen, Colorado, which  
18 has the most well-developed workforce housing program in the  
19 country where almost forty per cent of the total housing stock  
20 is reserved as permanently affordable housing for full-time  
21 residents, has largely funded their workforce housing program



1 through a 1.5 per cent tax on property sales that has been in  
2 place since 1989.

3 Presently, it is common practice to tax property sales as a  
4 means to mitigate the impacts of high home costs and the loss of  
5 land due to housing development. Furthermore, a conveyance tax  
6 of 0.5 per cent on homes valued at less than \$5,000,000, a rate  
7 of four per cent on homes valued between \$5,000,000 and  
8 \$10,000,000, and six per cent on homes valued at over  
9 \$10,000,000 conforms to tax rates that other cities are  
10 assessing to fund their various housing programs.

11 The legislature additionally finds that increases in tax  
12 rates on homes worth more than \$5,000,000 is unlikely to have  
13 any negative impact on local full-time residents, as the vast  
14 majority of buyers who purchase these homes do so as an  
15 investment and not as their full-time residence. The monthly  
16 mortgage costs of a \$5,000,000 home are approximately \$32,600  
17 per month, which would be considered affordable for an  
18 individual or a couple earning \$81,500 per month, or roughly  
19 \$978,000 a year. Very few families in Hawaii would fall within  
20 these income categories, and those that do most likely already



1 own a home and are not impacted by rising rents or the lack of  
2 affordable housing.

3 Accordingly, it is appropriate for out-of-state investors  
4 of real estate to assist in mitigating the impacts for residents  
5 who are not benefiting from the current market dynamics.  
6 Renters, houseless residents, and the local workforce are  
7 struggling with the rising cost of housing. Thus, a tax on real  
8 estate at the time of sale to help mitigate those costs is  
9 appropriate and fair.

10 The legislature recognizes that increases in housing  
11 prices, residential rent, and the homeless population over the  
12 past several years have accelerated the urgent need to  
13 sustainably fund affordable housing and homeless services in  
14 Hawaii. The 2023 point in time count estimated that there are  
15 currently 6,223 individuals living unsheltered in the State, not  
16 including the greater number of "hidden homeless" individuals  
17 temporarily living with friends or relatives because they cannot  
18 afford to live on their own. Investing in affordable housing  
19 and homeless services, including supportive housing, is key to  
20 addressing homelessness and ensuring that everyone in the State  
21 has an affordable place to live.



- 1       Accordingly, the purpose of this Act is to:
- 2       (1)   Establish the homeless services special fund;
- 3       (2)   Allow counties to apply for matching funds from the
- 4               affordable homeownership revolving fund for housing
- 5               projects that are subject to a perpetual affordability
- 6               requirement;
- 7       (3)   Increase the conveyance tax rates for certain
- 8               properties;
- 9       (4)   Establish conveyance tax rates for multifamily
- 10              residential properties;
- 11       (5)   Exempt from conveyance taxes the conveyances of real
- 12              property to:
- 13             (A)   Organizations with certain affordability
- 14                requirements;
- 15             (B)   Certain nonprofit organizations; and
- 16             (C)   An owner-occupant or renter-occupant of the
- 17                property; and
- 18       (6)   Allocate collected conveyance taxes to the affordable
- 19              homeownership revolving fund, homeless services
- 20              special fund, and dwelling unit revolving fund and



1 amend allocations to the land conservation fund and  
2 rental housing revolving fund.

3 SECTION 2. Chapter 346, Hawaii Revised Statutes, is  
4 amended by adding a new section to part XVII to be appropriately  
5 designated and to read as follows:

6 "§346- Homeless services special fund. (a) There is  
7 established within the state treasury a homeless services  
8 special fund, to be administered and managed by the department  
9 and into which shall be deposited:

10 (1) Ten per cent of the conveyance tax collected and  
11 allocated to the homeless services fund pursuant to  
12 section 247-7;

13 (2) Appropriations made by the legislature; and

14 (3) Interest earned upon any moneys in the fund.

15 (b) Moneys from any other private or public source may be  
16 deposited in or credited to the fund; provided that any  
17 mandates, regulations, or conditions on these funds do not  
18 conflict with the use of the fund under this section. Moneys  
19 received as a deposit or private contribution shall be  
20 deposited, used, and accounted for in accordance with the



1 conditions established by the agency or person making the  
2 contribution.

3 (c) Moneys in the homeless services special fund shall be  
4 used by the department for homeless services and supportive  
5 housing, including facilities programs for the homeless  
6 authorized by the department.

7 (d) The department shall submit a report to the  
8 legislature providing an accounting of the fund no later than  
9 twenty days prior to the convening of each regular session. The  
10 report shall include, at minimum:

- 11 (1) A detailed account of all funds received; and  
12 (2) All moneys expended from the homeless services special  
13 fund."

14 SECTION 3. Section 201H-206, Hawaii Revised Statutes, is  
15 amended to read as follows:

16 "[~~§~~201H-206~~§~~] **Affordable homeownership revolving fund.**

17 (a) There is established an affordable homeownership revolving  
18 fund to be administered by the corporation for the purpose of  
19 providing, in whole or in part, loans to nonprofit community  
20 development financial institutions and nonprofit housing



1 development organizations for the development of affordable  
2 homeownership housing projects.

3 (b) Loans shall be awarded in the following descending  
4 order of priority:

5 (1) Projects or units in projects that are funded by  
6 programs of the United States Department of Housing  
7 and Urban Development, United States Department of  
8 Agriculture Rural Development, and United States  
9 Department of the Treasury Community Development  
10 Financial Institutions Fund, wherein:

11 (A) At least fifty per cent of the available units  
12 are reserved for persons and families having  
13 incomes at or below eighty per cent of the median  
14 family income and of which at least five per cent  
15 of the available units are for persons and  
16 families having incomes at or below fifty per  
17 cent of the median family income; and

18 (B) The remaining units are reserved for persons and  
19 families having incomes at or below one hundred  
20 twenty per cent of the median family income; and



1           (2) Mixed-income affordable for-sale housing projects or  
2           units in a mixed-income affordable for-sale housing  
3           project wherein all of the available units are  
4           reserved for persons and families having incomes at or  
5           below one hundred per cent of the median family  
6           income.

7           (c) Moneys in the fund shall be used to provide loans for  
8           the development, pre-development, construction, acquisition,  
9           preservation, and substantial rehabilitation of affordable  
10          for-sale housing units. Uses of moneys in the fund may include  
11          but are not limited to planning, design, and land acquisition,  
12          including the costs of options, agreements of sale, and down  
13          payments; equity financing as matching funds for nonprofit  
14          community development financial institutions; or other housing  
15          development services or activities as provided in rules adopted  
16          by the corporation pursuant to chapter 91. The rules may  
17          provide that money from the fund shall be leveraged with other  
18          financial resources to the extent possible.

19          (d) The fund may include [~~sums~~]:

20            (1) Sums appropriated by the legislature[~~, private~~];

21            (2) Private contributions[~~, proceeds~~];



- 1       (3) Proceeds from repayment of loans [~~interest~~];
- 2       (4) Interests and other returns [~~interest~~];
- 3       (5) Conveyance taxes collected under chapter 247 and
- 4       allocated to the affordable homeownership revolving
- 5       fund pursuant to section 247-7; and [moneys]
- 6       (6) Moneys from other sources.

7       (e) An amount from the fund, to be set by the corporation

8 and authorized by the legislature, may be used for

9 administrative expenses incurred by the corporation in

10 administering the fund; provided that moneys in the fund shall

11 not be used to finance day-to-day administrative expenses of the

12 projects allotted moneys from the fund.

13       (f) The corporation may provide loans under this section

14 as provided in rules adopted by the corporation pursuant to

15 chapter 91.

16       (g) The corporation may contract with nonprofit community

17 development financial institutions to fund loans under this

18 section. The corporation may contract for the service and

19 custody of its loans.

20       (h) The corporation may establish, revise, charge, and

21 collect a reasonable service fee, as necessary, in connection



1 with its loans, services, and approvals under this part. The  
2 fees shall be deposited into the affordable homeownership  
3 revolving fund.

4 (i) Counties may apply for matching funds from the fund;  
5 provided that prior to applying for any matching funds, the  
6 counties shall have an approved comprehensive affordable housing  
7 plan that:

8 (1) Identifies available lands for affordable housing;

9 (2) Identifies infrastructure needs and availability; and

10 (3) Requires housing projects developed using moneys from  
11 the fund to be subject to an affordability clause that  
12 keeps the property affordable in perpetuity, also  
13 known as a "deed-restricted property";

14 provided further that costs for the development of or an update  
15 to an existing county comprehensive affordable housing plan may,  
16 upon application, be paid out of these funds.

17 ~~(i)~~ (j) The corporation shall submit a report to the  
18 legislature no later than twenty days prior to the convening of  
19 each regular session describing the projects funded using moneys  
20 from the affordable homeownership revolving fund."



1 SECTION 4. Section 247-2, Hawaii Revised Statutes, is  
2 amended to read as follows:

3 **"§247-2 Basis and rate of tax.** The tax imposed by  
4 section 247-1 shall be based on the actual and full  
5 consideration (whether cash or otherwise, including any promise,  
6 act, forbearance, property interest, value, gain, advantage,  
7 benefit, or profit), paid or to be paid for all transfers or  
8 conveyance of realty or any interest therein, that shall include  
9 any liens or encumbrances thereon at the time of sale, lease,  
10 sublease, assignment, transfer, or conveyance, and shall be at  
11 the following rates:

12 (1) Except as provided in [~~paragraph (2):~~] paragraphs (2)  
13 and (3):

14 (A) [~~Ten cents per \$100 for~~] For properties with a  
15 value of less than \$600,000[~~+~~]: 10 cents per  
16 \$100;

17 (B) [~~Twenty cents per \$100 for~~] For properties with a  
18 value of at least \$600,000, but less than  
19 \$1,000,000[~~+~~]: 20 cents per \$100;



- 1 (C) [~~Thirty cents per \$100 for~~] For properties with a  
2 value of at least \$1,000,000, but less than  
3 \$2,000,000[+]: 30 cents per \$100;
- 4 (D) [~~Fifty cents per \$100 for~~] For properties with a  
5 value of at least \$2,000,000, but less than  
6 \$4,000,000[+]: 50 cents per \$100;
- 7 (E) [~~Seventy cents per \$100 for~~] For properties with  
8 a value of at least \$4,000,000, but less than  
9 \$6,000,000[+]: 70 cents per \$100;
- 10 (F) [~~Ninety cents per \$100 for~~] For properties with a  
11 value of at least \$6,000,000, but less than  
12 \$10,000,000[+ and]: \$1.10 per \$100;
- 13 (G) [~~One dollar per \$100 for~~] For properties with a  
14 value of at least \$10,000,000 [~~or greater; and~~],  
15 but less than \$14,000,000: \$1.40 per \$100;
- 16 (H) For properties with a value of at least  
17 \$14,000,000, but less than \$18,000,000: \$2.00  
18 per \$100;
- 19 (I) For properties with a value of at least  
20 \$18,000,000, but less than \$22,000,000: \$3.00  
21 per \$100;



- 1           (J) For properties with a value of at least
- 2                   \$22,000,000, but less than \$26,000,000: \$4.00
- 3                   per \$100; and
- 4           (K) For properties with a value of \$26,000,000 or
- 5                   greater: \$6.00 per \$100;
- 6    (2) For the sale of a multifamily residential property:
- 7           (A) For properties with a value of less than
- 8                   \$600,000: 10 cents per \$100;
- 9           (B) For properties with a value of at least \$600,000,
- 10                   but less than \$1,000,000: 20 cents per \$100;
- 11           (C) For properties with a value of at least
- 12                   \$1,000,000, but less than \$2,000,000: 30 cents
- 13                   per \$100;
- 14           (D) For properties with a value of at least
- 15                   \$2,000,000, but less than \$4,000,000: 50 cents
- 16                   per \$100;
- 17           (E) For properties with a value of at least
- 18                   \$4,000,000, but less than \$6,000,000: 70 cents
- 19                   per \$100;



- 1            (F) For properties with a value of at least
- 2                    \$6,000,000, but less than \$10,000,000: 90 cents
- 3                    per \$100;
- 4            (G) For properties with a value of at least
- 5                    \$10,000,000, but less than \$20,000,000: \$1 per
- 6                    \$100;
- 7            (H) For properties with a value of at least
- 8                    \$20,000,000, but less than \$50,000,000: \$1.25
- 9                    per \$100;
- 10           (I) For properties with a value of at least
- 11                    \$50,000,000, but less than \$100,000,000: \$1.50
- 12                    per \$100; and
- 13           (J) For properties with a value of \$100,000,000 or
- 14                    greater: \$2.00 per \$100; and
- 15        [~~2~~] (3) For the sale of a condominium or single family
- 16                    residence for which the purchaser is ineligible for a
- 17                    county homeowner's exemption on property tax:
- 18                    (A) [~~Fifteen cents per \$100 for~~] For properties with
- 19                    a value of less than \$600,000~~[+]~~: 15 cents per
- 20                    \$100;

- 1 (B) [~~Twenty-five cents per \$100 for~~] For properties  
2 with a value of at least \$600,000, but less than  
3 \$1,000,000[~~+~~]: 25 cents per \$100;
- 4 (C) [~~Forty cents per \$100 for~~] For properties with a  
5 value of at least \$1,000,000, but less than  
6 \$2,000,000[~~+~~]: 40 cents per \$100;
- 7 (D) [~~Sixty cents per \$100 for~~] For properties with a  
8 value of at least \$2,000,000, but less than  
9 \$4,000,000[~~+~~]: \$1.00 per \$100;
- 10 (E) [~~Eighty-five cents per \$100 for~~] For properties  
11 with a value of at least \$4,000,000, but less  
12 than \$6,000,000[~~+~~]: \$1.50 per \$100;
- 13 (F) [~~One dollar and ten cents per \$100 for~~] For  
14 properties with a value of at least \$6,000,000,  
15 but less than \$10,000,000[~~+~~ and]: \$2.00 per  
16 \$100;
- 17 (G) [~~One dollar and twenty-five cents per \$100 for~~]  
18 For properties with a value of at least  
19 \$10,000,000 [~~or greater,~~], but less than  
20 \$14,000,000: \$3.00 per \$100;



1           (H) For properties with a value of at least  
 2           \$14,000,000, but less than \$18,000,000: \$4.00  
 3           per \$100;

4           (I) For properties with a value of at least  
 5           \$18,000,000, but less than \$22,000,000: \$5.00  
 6           per \$100;

7           (J) For properties with a value of at least  
 8           \$22,000,000, but less than \$26,000,000: \$6.00  
 9           per \$100; and

10          (K) For properties with a value of \$26,000,000 or  
 11          greater: \$7.00 per \$100,

12 of [~~such~~] the actual and full consideration; provided that in  
 13 the case of a lease or sublease, this chapter shall apply only  
 14 to a lease or sublease whose full unexpired term is for a period  
 15 of five years or more[, ~~and in those cases, including (where~~  
 16 ~~appropriate) those cases where the~~]; provided further that if a  
 17 lease has been extended or amended, the tax in this chapter  
 18 shall be based on the cash value of the lease rentals discounted  
 19 to present day value and capitalized at the rate of six per  
 20 cent, plus the actual and full consideration paid or to be paid  
 21 for any and all improvements, if any, that shall include on-site



1 as well as off-site improvements, applicable to the leased  
2 premises; and provided further that the tax imposed for each  
3 transaction shall be not less than \$1.

4 For purposes of this section, "multifamily residential  
5 property" means a structure that is located within the state  
6 urban land use district and divided into five or more dwelling  
7 units."

8 SECTION 5. Section 247-3, Hawaii Revised Statutes, is  
9 amended to read as follows:

10 "§247-3 Exemptions. The tax imposed by section 247-1  
11 shall not apply to:

- 12 (1) Any document or instrument that is executed prior to  
13 January 1, 1967;
- 14 (2) Any document or instrument that is given to secure a  
15 debt or obligation;
- 16 (3) Any document or instrument that only confirms or  
17 corrects a deed, lease, sublease, assignment,  
18 transfer, or conveyance previously recorded or filed;
- 19 (4) Any document or instrument between husband and wife,  
20 reciprocal beneficiaries, or parent and child, in  
21 which only a nominal consideration is paid;



- 1           (5) Any document or instrument in which there is a
- 2                   consideration of \$100 or less paid or to be paid;
- 3           (6) Any document or instrument conveying real property
- 4                   that is executed pursuant to an agreement of sale, and
- 5                   where applicable, any assignment of the agreement of
- 6                   sale, or assignments thereof; provided that the taxes
- 7                   under this chapter have been fully paid upon the
- 8                   agreement of sale, and where applicable, upon such
- 9                   assignment or assignments of agreements of sale;
- 10          (7) Any deed, lease, sublease, assignment of lease,
- 11                   agreement of sale, assignment of agreement of sale,
- 12                   instrument or writing in which the United States or
- 13                   any agency or instrumentality thereof or the State or
- 14                   any agency, instrumentality, or governmental or
- 15                   political subdivision thereof are the only parties
- 16                   thereto;
- 17          (8) Any document or instrument executed pursuant to a tax
- 18                   sale conducted by the United States or any agency or
- 19                   instrumentality thereof or the State or any agency,
- 20                   instrumentality, or governmental or political



- 1 subdivision thereof for delinquent taxes or  
2 assessments;
- 3 (9) Any document or instrument conveying real property to  
4 the United States or any agency or instrumentality  
5 thereof or the State or any agency, instrumentality,  
6 or governmental or political subdivision thereof  
7 pursuant to the threat of the exercise or the exercise  
8 of the power of eminent domain;
- 9 (10) Any document or instrument that solely conveys or  
10 grants an easement or easements;
- 11 (11) Any document or instrument whereby owners partition  
12 their property, whether by mutual agreement or  
13 judicial action; provided that the value of each  
14 owner's interest in the property after partition is  
15 equal in value to that owner's interest before  
16 partition;
- 17 (12) Any document or instrument between marital partners or  
18 reciprocal beneficiaries who are parties to a divorce  
19 action or termination of reciprocal beneficiary  
20 relationship that is executed pursuant to an order of



- 1           the court in the divorce action or termination of  
2           reciprocal beneficiary relationship;
- 3       (13) Any document or instrument conveying real property  
4           from a testamentary trust to a beneficiary under the  
5           trust;
- 6       (14) Any document or instrument conveying real property  
7           from a grantor to the grantor's revocable living  
8           trust, or from a grantor's revocable living trust to  
9           the grantor as beneficiary of the trust;
- 10       (15) Any document or instrument conveying real property, or  
11           any interest therein, from an entity that is a party  
12           to a merger or consolidation under chapter 414, 414D,  
13           415A, 421, 421C, 425, 425E, or 428 to the surviving or  
14           new entity;
- 15       (16) Any document or instrument conveying real property, or  
16           any interest therein, from a dissolving limited  
17           partnership to its corporate general partner that  
18           owns, directly or indirectly, at least a ninety per  
19           cent interest in the partnership, determined by  
20           applying section 318 (with respect to constructive  
21           ownership of stock) of the federal Internal Revenue



1 Code of 1986, as amended, to the constructive  
2 ownership of interests in the partnership; [~~and~~]  
3 [~~+~~] (17) [~~+~~] Any document or instrument that conforms to the  
4 transfer on death deed as authorized under  
5 chapter 527[~~-~~];

6 (18) Any document or instrument conveying real property to  
7 an organization that:

8 (A) Has a minimum of thirty years remaining of a  
9 price-restricted affordability period; or

10 (B) Places a deed restriction on the property to  
11 maintain permanent affordability.

12 For purposes of this paragraph:

13 "Permanent affordability" means a requirement  
14 that a residential real property remain affordable to  
15 households with incomes at or below one hundred twenty  
16 per cent of the area median income as determined by  
17 the United States Department of Housing and Urban  
18 Development for the life of the property.

19 "Price-restricted affordability period" means the  
20 period for which a residential real property is  
21 restricted to renter households with incomes at or



1           below one hundred twenty per cent of the area median  
2           income as determined by the United States Department  
3           of Housing and Urban Development applicable to the  
4           location of the real property for the applicable  
5           federal fiscal year;

6           (19) Any document or instrument conveying real property to  
7           a nonprofit organization that:

8           (A) Is exempt from federal income tax by the Internal  
9           Revenue Service; and

10          (B) Will hold the property in an undeveloped state  
11          and for conservation purposes in perpetuity  
12          through a deed restriction on the property; and

13          (20) Any document or instrument conveying real property to  
14          an individual who is an owner-occupant or  
15          renter-occupant of the property; provided the  
16          individual does not have a direct or indirect  
17          ownership interest in any other real property,  
18          including through ownership interest in a trust,  
19          partnership, corporation, limited liability company,  
20          or other entity."



1 SECTION 6. Section 247-7, Hawaii Revised Statutes, is  
2 amended to read as follows:

3 "**§247-7 Disposition of taxes.** All taxes collected under  
4 this chapter shall be paid into the state treasury to the credit  
5 of the general fund of the State, to be used and expended for  
6 the purposes for which the general fund was created and exists  
7 by law; provided that of the taxes collected each fiscal year:

8 (1) [~~Ten~~] Eight per cent [~~or \$5,100,000, whichever is~~  
9 ~~less,~~] shall be paid into the land conservation fund  
10 established pursuant to section 173A-5; [~~and~~]

11 (2) [~~Fifty per cent or \$38,000,000, whichever is less,~~]  
12 Thirty-eight per cent shall be paid into the rental  
13 housing revolving fund established by  
14 section 201H-202[~~-~~];

15 (3) Eight per cent shall be paid into the affordable  
16 homeownership revolving fund established pursuant to  
17 section 201H-206;

18 (4) Eight per cent shall be paid into the homeless  
19 services special fund established pursuant to  
20 section 346- ; and





# S.B. NO. 469

**Report Title:**

Hawaii State Association of Counties Package; DHS; Affordable Housing; Conveyance Tax; Rates; Exemption; Homeless Services Fund; Affordable Homeownership Revolving Fund; Land Conservation Fund; Rental Housing Revolving Fund; Dwelling Unit Revolving Fund

**Description:**

Establishes the Homeless Services Special Fund. Allows counties to apply for matching funds from the Affordable Homeownership Revolving Fund for certain housing projects. Increases the conveyance tax rates for certain properties. Establishes conveyance tax rates for multifamily residential properties. Establishes new exemptions to the conveyance tax. Allocates collected conveyance taxes to the Affordable Homeownership Revolving Fund, Homeless Services Special Fund and, and Dwelling Unit Revolving Fund. Amends allocations to the Land Conservation Fund and Rental Housing Revolving Fund.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

